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Thailand

Poultry and Products

Poultry Market Update

2003

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Report Highlights:

After a long period of low prices, Thailand's chicken industry has been recently revived by a sudden heavy demand from major importing countries, especially Japan. This has led to skyrocketing export prices.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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After a long period (over six months) of price depression across the board, Thailand's chicken industry has been recently revived by a sudden heavy demand from major importing countries, especially Japan, which has led to skyrocketing export prices.

Trade sources reported that on May 12, 2003, Japan began to ban the imports of Chinese chicken meat after there was an outbreak of avian influenza in duck flocks in China. In addition, a serious outbreak of SARS (Severe Acute Respiratory Syndrome) in China has reportedly discouraged people to travel to China and is likely to delay the Chinese attempt to negotiate with Japanese government to lift the ban. As a result, Japanese buyers have almost totally switched their forward buying to Thailand and Brazil. As China is one of the major chicken meat suppliers to Japan, exporting about 200,000 tons/year, the import ban has generated an upsurge in demand and prices.

Most Thai packers reportedly have shipments to Japan fully booked up through the fourth quarter of 2003. Export prices for uncooked boneless leg meat (BL) have increased rapidly from US\$ 1,200-1,300/ton for shipments delivered in the first quarter of 2003 to currently US\$ 2,700-2,900 /ton for the third quarter deliveries.

Demand for Thai chicken meat in the European Union (EU) has been volatile recently since the EU announced that the favored tariff rates (about 15%) on chicken meat in brine will be terminated in August 2003. This means that once the EU's directive is in place all exporters will be forced to export non-salted chicken meat, which is subject to the current import duties of about US\$ 1,300-1,400/ton (about 60-70% of C&F prices). Thus far, nearly all exports of uncooked chicken meat from Thailand to the EU, accounting for 60-70% of total chicken meat exports to the EU, are produced to meet the conditions of the salted-item category to enjoy the lower tariff.

Nevertheless, export prices for chicken meat shipped to the EU, the major market for Thai white meat products, have also recovered, due mainly to the outbreak of avian influenza disease in Netherlands and Belgium, and a strong Euro. C&F prices for uncooked skinless boneless breast meat (SBB) shipped in the third quarter (Jul-Sep) are currently US\$ 2,000-2,100/ton, up from US\$ 1,500-1,600/ton shipped in the first quarter (Jan-Mar).

A recovery in export prices also led to improved domestic prices. Wholesale prices for live broilers are currently 30-32 baht/kg (approx. 32-35 cents/pound), up from 18-20 baht/kg (19-22 cents/pound) in the first quarter (Jan-Mar).

According to the Thai Broiler Processing Exporters Association, Thai exports of chicken meat in the first quarter of 2003 (Jan-Mar) increased 9 percent from 115,886 tons in the same period of 2002 to 126,512 tons. This amount can be broken down into 93,561 tons for uncooked meat and 32,951 tons for cooked meat. Trade sources estimated that total chicken meat exports in 2003 may reach 500-520,000 tons, as opposed to 464,243 tons in 2002.

This development should also benefit U.S. poultry exports to Japan and possibly Thailand in 2003 to the extent that U.S. packers can enjoy better prices and increased export volume. However, Thai trade sources believe that the impact on U.S. exports may be relatively small, as most of the increased demand from Japan would be directed to boneless products (cooked and uncooked), supplied by Thailand and Brazil, while most of the U.S. exports are for uncooked bone-in-leg meat.

Thailand could be a potential market for U.S. chicken parts (especially leg-quarters), mechanically deboned meat (MDM), and value-added chicken meat. Thai local consumers, like those in other Asian countries, prefer dark meat to white meat. Recent official data indicated that prices for bone-in legs in the Thai market are only 9-10 percent cheaper than breast meat, compared to approximately a 30 percent differential in the U.S. market. In preliminary price analysis, FAS/Bangkok found that the hypothetical costs of U.S. leg-quarters imported to Thailand should be 10-20 percent cheaper than domestic wholesale prices for leg-quarters sold in Bangkok. This is also the case for MDM. Potential buyers for chicken parts and MDM should be food processors (sausage processors in the case of MDM) and supermarkets. Value-added chicken meat can be introduced to modern retail markets and HRI industry.

However, this potential has been limited by non-transparent import permit issuance and unfair management of import permit fees. Any imports are subject to import permit requirements by Department of Livestock Department, which may arbitrarily refuse to issue import permit without a clear explanation. Chicken meat imports are subject to a high import tariff, currently a 33 percent WTO bound rate for uncooked meat (chilled or frozen) and 42% for cooked chicken meat. FAS/Bangkok has protested this practice and asked that only fair and transparent rules be applied. In addition, the Thai Government imposes an unfair import permit fee on uncooked chicken products at 10 baht/kg (approx. US\$ 228/ton). FAS/Bangkok has been making an effort to negotiate with the Thai government to reduce the inspection fee to a level that reflects the actual costs of meat wholesomeness inspections and that it is applied to local and imported products.